INSIDE TRACK 45

ACCOUNTING STANDARDS BOARD

In the October 2005 issue

- ASB announces pensions project
- ASB issues amendment to FRS 26
- ASB issues FRS 28 'Corresponding Amounts'

ASB announces research project into accounting for pensions

This month, the ASB has announced that it is undertaking a research project into the financial reporting of pensions.

The UK context

The ASB's standard on accounting for pensions, FRS 17 'Retirement Benefits', was published in November 2000, although its requirements have only become mandatory in full for accounting periods beginning on or after 1 January 2005. The recent implementation of FRS 17 has given rise to a number of comments about the accounting for pensions, particularly in respect of defined benefit pension arrangements, which have attracted a good deal of media attention.

The legal and regulatory environment for company pension schemes has also changed significantly since the publication of FRS 17, notably as a result of the Pensions Act 2004. Regulatory changes include a new statutory obligation on solvent companies to meet their pension obligations; the establishment of the Pension Protection Fund (PPF) to provide a partial safety net for employees whose employers are unable to meet their pension obligations; and the establishment of The Pensions Regulator (TPR), a new regulator with significant new powers. These changes could not have been anticipated when FRS 17 was developed and may have an effect on the relevant financial reporting.

The International context

Debate has also been stimulated by the move to International Financial Reporting Standards (IFRS). In many respects, the requirements of FRS 17 are similar to those of its international counterpart International Accounting Standard (IAS) 19 'Employee benefits'. But there are some issues that are addressed by IAS 19 and not by FRS 17, and there are a number of optional accounting treatments in IAS 19 the merit of which requires careful evaluation.

The IASB and US Financial Accounting Standards Board (FASB) have indicated that they may be reviewing their standards on pensions in the reasonably near future.

The ASB is undertaking its research into pensions accounting in the light of these developments. This research will help inform any proposals for future accounting standards (either UK or international).

The European context

There is also an important European dimension. The European Financial Reporting Advisory Group (EFRAG) and European National Standard-Setters (NSS) have agreed to work more closely together on 'Proactive Accounting Activities in Europe', in order to improve the input from Europe to the global standard-setting process. EFRAG and the NSS have agreed to start proactive work on four projects, one is which is pensions accounting, where the ASB will take the lead.

Issues

The project will reconsider the fundamental principles of pensions accounting. Amongst the questions to be addressed by the project will be:

- how is the relationship between an employer and a pension scheme best reflected in the employer's financial statements?
- how should the employer's liability in respect of pensions be quantified? In particular:
  - what is the most appropriate actuarial method?
  - should the employer's liability reflect future salary increases?
  - what discount rate should be used to translate future cash flows into a realistic present value?
- what is 'the expected return on assets', and how (if at all) should it be reflected in the employer's financial statements?

Continued ...

ASB announces research project into accounting for pensions

Continued

- what is the impact on financial reporting of pension funds regulations, such as the introduction of the PPF levy?
- are the disclosures required by current standards appropriate? This will include consideration of whether liabilities that might arise in the event of a takeover of the employer are adequately disclosed under current requirements.

The research will also cover the financial reports of pension schemes, including consideration of whether requirements for the accounts of pension schemes secure adequate reporting of liabilities to pay pensions.

Managing the project
To assist in this research, the ASB is forming a Pensions Advisory Panel in the UK, with members who can provide a variety of expert perspectives on pensions accounting, including those of actuaries, the preparers and users of financial statements and regulators. The role of the Panel will be to ensure that a number of knowledgeable points of view are fully considered. There will also be a European working group which will bring broad European experience to the project. The views of Panel and working group members will be fully reported to and debated by the ASB, but the prime responsibility for the research will rest with the ASB. Details of the Panel and working group membership will be made available on the ASB website.

It is expected that the research will be published in the course of 2006. The ASB hopes that it will contribute to the development of improved international accounting standards, which may provide a suitable basis for a replacement for FRS 17. Other than a proposal to extend FRS 17 to cover termination benefits, the ASB has no current plans to revise the requirements of FRS 17 before proposals for a new international standard are made. That said, the ASB will review that plan in the light of the research project and its policy on converging UK standards with IFRS.

A global OFR? IASB issues discussion paper on Management Commentary

The IASB has issued a preliminary views discussion paper 'Management Commentary' (the international term for the Operating and Financial Review, OFR) that has been prepared by a project team of staff from a number of national standard-setters, including the ASB. The paper sets out the views of the project team on which the IASB is inviting comments to help it consider whether it should add a project on management commentary to its agenda.

The main conclusion in the paper is that the IASB can improve the quality of financial reports by developing a standard on management commentary. In reaching this conclusion, the team has reviewed existing requirements around the world, such as the OFR, Management's Discussion and Analysis (MD&A) in the USA and Canada, and the German accounting standard on Management Reporting.

The team has found many common threads in its analysis of existing management commentary principles and requirements. On the basis of this analysis, the team has defined management commentary as:

> "information that accompanies financial statements as part of an entity's financial reporting. It explains the main trends and factors underlying the development, performance and position of the entity's business during the period covered by the financial statements. It also explains the main trends and factors that are likely to affect the entity's future development, performance and position".

The purpose of management commentary is to help investors to:

- interpret and assess the related financial statements in the context of the environment in which the entity operates;
- assess what management views as the most important issues facing the entity and how it intends to manage those issues; and
- assess the strategies adopted by the entity and the potential for those strategies to succeed.

The project team's proposals for what a standard on management commentary should contain are largely similar to those in the ASB's Reporting Standard (RS) 1 'The Operating and Financial Review'. Like RS 1, they specify a number of principles and qualitative characteristics that should underlie the preparation and presentation of management commentary.

In particular the principles state that MC should:

- supplement and complement financial statement information;
- provide an analysis of the entity through the eyes of management; and
- have an orientation to the future.

The proposals also adopt the same approach as RS 1 in setting out a disclosure framework identifying the areas that management must consider, rather than any more specific disclosure requirements.

The discussion paper is available on the IASB's website at www.iasb.org. The IASB is seeking comments by 28 April 2006.

ASB issues amendment to FRS 26 (IAS 39) 'Financial Instruments: Measurement'

This month, the ASB has issued an amendment to FRS 26 reflecting the amendments to IAS 39 'Financial Instruments: Recognition and Measurement' made by the IASB from the version of IAS 39 implemented by the ASB as FRS 26. The main changes relate to:

- transition and initial recognition of financial assets and financial liabilities;
- cash flow hedge accounting of forecast intragroup transactions;
- the fair value option, with related disclosures inserted in FRS 25 (IAS 32) 'Financial Instruments: Presentation and Disclosure'; and
- financial guarantee contracts and credit insurance.

A deferral of the effective date of the standard for one year is also made for certain Irish entities with listed debt securities but no listed equity.

The changes are effective from the same dates as the equivalent changes to IAS 39 - in most cases this is for accounting periods commencing on or after 1 January 2006, with early adoption permitted. Transition provisions are included that replicate those for IAS 39 amendments, including those applicable to first time adopters. The ASB has, however, amended the date by which transitional 'fair value option' designations need to be made from 1 September 2005 to 1 December 2005. This applies only to those entities adopting the amended fair value option for accounting periods commencing before 1 January 2006.

Meanwhile, the ASB is considering responses to its proposals to extend the scope of FRS 26 to all entities other than those applying the FRSSE, from 2007. At present, FRS 26 is applicable to entities with listed securities, for accounting periods commencing on or after 1 January 2005, and those entities applying the fair value accounting rules in the Companies Act 1985, for accounting periods commencing on or after 1 January 2006.

Entities within the scope of FRS 26 must also make the disclosures required by FRS 25 (IAS 32) 'Financial Instruments: Disclosure and Presentation'. The ASB intends to issue shortly a standard implementing the IASB standard IFRS 7 'Financial Instruments: Disclosures' and the related amendment to IAS 1 'Presentation of Financial Statements - Capital Disclosures'. The new UK standard will replace the existing disclosure requirements of FRS 25 and will apply to those entities within the scope of FRS 26, for accounting periods commencing on or after 1 January 2007. Earlier adoption is permitted, enabling entities required to apply the disclosure requirements of FRS 25 for 2005 or 2006 to choose instead to move directly to the new IFRS 7 requirements, thus avoiding the need to make two changes in quick succession.

The required disclosures include:

- information on the significance of financial instruments for an entity's financial position and performance;
- information about exposure to risks arising from financial instruments, including where relevant certain minimum disclosures about credit, liquidity and market risks together with descriptions of management's objectives, policies and processes for managing those risks. Quantitative disclosures are also required to provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management;
- the entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

ASB issues Standard on Corresponding Amounts

This month, the ASB has issued Financial Reporting Standard (FRS) 28 'Corresponding Amounts'. The development of the FRS started in March 2005 when FRED 35 'Corresponding Amounts' was issued. Reflecting respondents' views the FRS adopts the proposals in FRED 35.

FRS 28 requires corresponding amounts to be shown for items in the primary financial statements and notes to the financial statements. Where corresponding amounts are not directly comparable with the amount to be shown in respect of the current financial year, they shall be adjusted and the basis for adjustment disclosed in a note to the financial statements.

The FRS permits a reporting entity not to show corresponding amounts for certain items in the notes to the financial statements that were previously exempted under company law. It also does not require corresponding amounts for the earliest period presented where financials statements for two or more consecutive periods are presented together.

The requirements of the FRS apply to financial statements that are intended to give a true and fair view except where an accounting standard or Urgent Issues Task Force Abstract permits or requires an alternative treatment.

The FRS is effective for financial statements relating to accounting periods which begin on or after 1 January 2005 and which end on or after 1 October 2005.

Reporting entities applying the Financial Reporting Standard for Smaller Entities (FRSSE) currently applicable are exempt from the FRS. Consistent with the objective of the FRS to maintain the existing legal requirements for corresponding amounts a consequential amendment has been made to the Financial Reporting Standard for Smaller Entities (effective January 2005).

ASB issues Exposure Draft of an Interpretation of the Statement of Principles for Public Benefit Entities

In August the ASB published its Exposure Draft 'Statement of Principles for Financial Reporting: Proposed Interpretation for Public Benefit Entities' (following on from its preceding Discussion Paper, of the same name, issued in May 2003), in which it sets out to articulate how the principles of financial reporting apply to public benefit entities. The ASB believes that common principles should underlie reporting by all entities, but identifies some areas where some re-expression or change of emphasis is needed in the way the principles are articulated to make them easier to apply in the public benefit context.

Public benefit entities are defined as "reporting entities whose primary objective is to provide goods or services for the general public or social benefit and where any risk capital has been provided with a view to supporting that primary objective rather than with a view to a financial return to equity shareholders".

Some of the main areas addressed by the Exposure Draft are:

Liabilities

The recognition of liabilities for commitments to provide public benefits has proved to be the most challenging area of this project. The Exposure Draft aims to establish the principles of when such commitments give rise to liabilities. General or policy statements of intention do not create liabilities because they do not create such an expectation that the entity cannot withdraw or change the terms of the intention. In relation to specific commitments, those provided under contracts or performance-related grants (which are analogous to contracts) are executory contracts and should be accounted for as performance progresses.

For other specific commitments to provide public benefits a liability arises when the entity can no longer avoid the outflow. However, in meeting these commitments the entity will be creating a benefit by meeting its objectives and therefore the arrangement can be viewed as executory in nature. As a result an expense/liability will be recognised when the objectives are met, usually when the reporting entity provides the goods or services (as this is a non-performance-related situation, it would not be on the basis of underlying performance by the recipient or another recipient in a chain).

Residual interest

The residual interest is the monetary amount found by deducting all an entity's liabilities from all of its assets. A portion of the residual might reflect restricted assets and it is appropriate to distinguish between that portion and the remainder. However, some public benefit entities have a practice of creating further distinctions within the residual interest, often based on management's intentions. Such designations do not reflect any legal or otherwise enforceable requirement to allocate resources in a particular way and can be changed. Neither do such designations reflect a transaction. Therefore the ASB proposes that such designations should not be reflected in the financial statements, but may be discussed in accompanying information.

Capital contributions

A capital contribution is one that establishes an ongoing financial interest in an entity (it does not include a grant or other contribution given to assist with the purchase of a fixed asset) these should be accounted for as an increase in residual interest. Other contributions would be reported as gains.

Capital grants

Consistently capital grants should be recognised as gains once the conditions attached to the receipt of grant have been met; a requirement to repay a grant if the relevant asset is sold does not act as a barrier to that recognition. However, because there is a risk that the value of the asset will be overstated (perhaps without the grant the purchase of the asset would not have satisfied the economic criteria of the reporting entity for a successful project), an asset that has been wholly or partly financed by a capital grant should be tested for impairment on completion or acquisition.

Voluntary gifts of assets and services

Many public benefit entities receive voluntary gifts; some are in the form of goods (or assets) and some are in the form of services. Gifts of goods should be recognised based on their current value to the recipient. The receipt of voluntary services may also have an economic impact on the recipient entity, for example it avoids purchasing those services. Practical difficulties may arise in the reliable measurement of voluntary services however, and therefore the Exposure Draft proposes that only certain services (those services that would have been purchased) should be recognised if they can be reliably measured, the nature of those that are not recognised should be disclosed. It is expected that volunteer time would rarely be recognised.

The Exposure Draft is available on the ASB's website at http://frc.org.uk/asb/technical/projects/project0017.html. Comments are requested by 30 November.

Update on current projects

ASB's future role

The consultation period on the ASB's Exposure Draft 'Accounting Standard-setting in a Changing Environment: The Role of the Accounting Standards Board' closed on 15 September. The comments received are currently being analysed.

Technical corrections

In July the IASB issued a draft policy on technical corrections for comment. Under this proposed policy, the IASB would make minor amendments to standards following a 30-day exposure period. This procedure is intended to address issues for which it is clear that the words in a standard do not properly convey the IASB's intention, even when considered with the basis for conclusions and any related guidance. A Technical Correction may also address unexpected consequences of a standard that the IASB would have corrected, had it been aware of them when the standard was issued. Technical Corrections would normally be effective immediately and applied retrospectively.

The ASB has responded to IASB expressing its view that, although the proposal was appropriate for some minor corrections, it should not be used for cases where the existing standard is unambiguous and entities may have already adopted accounting policies in accordance with the requirements, since the Technical Correction might in these cases mean that previously announced results might need to be restated. A more formal due process should be followed in such cases. The ASB's response can be accessed at http://www.frc.org.uk/images/uploaded/documents/TC%20response%20to%20IASB.pdf.

If IASB's proposed Technical Corrections policy is finalised in its present form ASB envisages that future Technical Corrections would be reflected in UK standards following a short consultation period. ASB will, as soon as possible after publication of each proposed Technical Correction:

- draw attention to the IASB's proposals for a Technical Correction;
- indicate whether it considered a parallel change should be made to a UK standard; and
- seek views from its constituents.

When the final Technical Correction is issued the ASB would, after consideration of the views received, amend the corresponding UK standard.

Details of the IASB's first draft Technical Correction are on page 6.

Heritage Assets

The Board's Committee on Accounting for Public-benefit Entities, in collaboration with the International Public Sector Accounting Standards Board, is developing proposals for the accounting treatment for 'heritage assets', including collections held by museums and galleries. The proposals will set out practical accounting approaches designed to improve the consistency and transparency of the financial reporting of such assets. The ASB will issue a UK Discussion Paper before the end of the year.

EFRAG Update

As noted in the article on pensions accounting on page 1, EFRAG and European NSS have agreed to take forward proactive work on four projects. The other three projects are:

- conceptual framework - to be led by the French standard-setter;
- the split between debt and equity - to be led by the Germans;
- performance reporting - to be led by the Spanish and EFRAG.

In late July, the EFRAG Supervisory Board issued a discussion paper 'Achieving Consistent Application of IFRS in the EU', which discusses whether to set up a European interpretations support mechanism to identify issues that have the potential to cause inconsistency within the EU and to act as a filter to IFRIC. As part of its consultation, in September EFRAG hosted an advisory forum on the consistent application of IFRS. The consultation period closed on 6 October.

UITF and IFRIC Update

Operating lease incentives

The IFRIC has formally decided not to consider modifying SIC-15 'Operating Leases - Incentives' to address the treatment of lease incentives in property leases that require rents to be repriced to market rates. There is, as a result, a significant difference between UK requirements (UITF Abstract 28 'Operating lease incentives') and IFRS in respect of the period over which incentives should be spread.

The reasons for IFRIC's rejection, as published in IFRIC Update August 2005, are reproduced below:

"The IFRIC considered the appropriate period over which to recognise an incentive for an operating lease, when an incentive is provided and the lease contains a clause that requires rents to be repriced to market rates.

Two possible approaches for the period over which to recognise the incentive are:

- recognise the incentive over the full term of the operating lease; or
- recognise the incentive over the shorter of the lease term and a period ending on a date from which it is expected the prevailing market rentals will be payable.

The IFRIC noted that SIC-15.5 requires:

> the lessee shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The IFRIC thought the wording of SIC-15.5 was clear and did not accept an argument that the lease expense of a lessee after an operating lease repriced to market ought to be comparable with the lease expense of an entity entering into a new lease at that same time at market rates. Nor did the IFRIC believe that the repricing of itself would be representative of a change in the time pattern referred to in SIC-15.5.

The IFRIC decided not to undertake a project to modify SIC-15."

The requirements of SIC-15 and UITF 28 apply to both recognition of rental income by lessors and recognition of rental expense by lessees. UITF 28 requires an incentive to be recognised over the shorter of the lease term and a period ending on a date from which it is expected the prevailing market rentals will be payable. The effect of switching from UITF 28 to SIC-15 is that a lessor and a lessee will respectively report a greater rental income and expense in each year until rent is repriced to market rent, and income and expense that is lower than market rent thereafter. Furthermore, a lessor will continue to report an asset and a lessee will continue to report a liability relating to the lease incentive after the lease has been repriced to market rent.

The UITF has noted IFRIC's decision on this issue. It has no current plans to modify Abstract 28.

Entities that have given or received incentives on such operating leases and are switching from UK standards to IFRS will need to restate their accounts to comply with SIC-15.

Waste electrical and electronic equipment ('WEEE')

IFRIC Interpretation 6 'Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment' was issued on 1 September. It clarifies when certain producers of electrical goods should recognise a liability for waste management costs relating to decommissioning of equipment sold to private households under the model specified in the EU's WEEE Directive for attributing costs to producers who are currently participating in the market, ie based on market share. IFRIC 6 concludes that participation in the market during a measurement period (rather than the manufacture or sale of the equipment) is the obligating event that gives rise to the recognition of a liability.

The UK Government announced in August that it plans shortly to transpose the main provisions of the WEEE Directive into UK law. The UITF has decided to issue an Abstract based on IFRIC 6, which will be finalised after the applicable UK legislation has been published.

Status of other draft Abstracts

Retirement benefits. A draft Abstract 'Retirement Benefit Schemes with a Promised Return on Contributions or Notional Contributions', an adapted version of IFRIC D9, was issued in July 2004 (in Information Sheet 67). The IFRIC has not yet decided whether or not to issue a final Interpretation.

Embedded derivatives. A draft Abstract 'Reassessment of Embedded Derivatives', which sets out the text of IFRIC D15, was issued in March 2005 (in Information Sheet 75). The IFRIC is analysing comments on D15.

Share-based payments. Two draft Abstracts 'Scope of FRS 20 (IFRS 2)' (see Information Sheet 76) and 'FRS 20 (IFRS 2) - Group and Treasury Share Transactions' (see Information Sheet 77) were issued in June 2005. They set out respectively the texts of draft IFRIC Interpretations D16 and D17. The IFRIC is analysing comments on D16 and D17.

IASB Update

Conceptual framework

As reported in the last edition of *Inside Track*, the IASB and the US Financial Accounting Standards Board (FASB) have a joint agenda project to revisit their conceptual frameworks for financial accounting and reporting. The goal of the project is to develop a common conceptual framework that both Boards can use in developing new and revised accounting standards. The Boards' discussions to date have focused on the objectives and qualitative characteristics of financial reporting.

The ASB is monitoring closely the project. The staff at the ASB has submitted some comments on the project to the IASB/FASB team, a copy of which can be accessed on the ASB website at http://www.frc.org.uk/images/uploaded/documents/FrameworksMemoLetter%20and%20Memo.pdf.

Draft Technical Correction 1

On 30 September the IASB issued its first draft technical correction, DTC1 'Proposed Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* - Net Investment in a Foreign Operation', for comment by 31 October.

The proposals in DTC1 would amend one aspect of IAS 21. This standard requires exchange differences arising on a company's net investment in a foreign operation to be reported in equity (and 'recycled' to profit and loss account on the subsequent disposal of that investment). The 'net investment' may include loans between the company and its foreign operation, provided certain conditions are met. Under the current requirements of IAS 21, a 'third currency' loan-that is a loan in a currency which is neither the functional currency of the parent nor of the foreign operation-cannot be treated as part of the 'net investment', so exchange differences cannot be reported in equity, but must be included in the profit and loss account.

The proposals in DTC1 would change this, and require exchange differences on 'third currency loans' that otherwise meet the conditions for a 'net investment' to be reported in equity, and subsequently recycled. It would not be permitted to continue to report such exchange differences in the profit and loss account.

The requirements of IAS 21 are essentially the same as those of FRS 23, and the ASB has concluded that to avoid previously converged standards differing, it would make parallel amendments to FRS 23. On 3 October the ASB issued a Notice to Constituents (available at www.frc.org.uk/asb) drawing attention to DTC1 and proposing similar amendments to FRS 23. Comments were requested by 31 October. The IASB has indicated that it will consider responses to both the proposed Technical Corrections policy (see page 5) and DTC1 at its November meeting. If the IASB proceeds with the proposed amendment to IAS 21, the corresponding amendment to FRS 23 would then be made without further consultation.

Business Combinations

The comment period for responses to the Exposure Drafts arising from the second phase of the IASB project on Business Combinations closed on 28 October 2005. The EDs cover proposed amendments to IFRS 3 'Business Combinations', the consolidation standard IAS 27 and amendments to IAS 37 (Provisions) and IAS 19 (Employee Benefits). The ASB's response to the IASB can be accessed from the 'Spotlight' section of the ASB website at http://www.frc.org.uk/asb.

The ASB's response notes that the proposals rely on new fundamental principles, including:

- the application of the "entity approach". The ASB continues to believe that the "parent entity approach" provides a better focus for financial reporting than the entity approach;
- the requirement to measure the acquiree at fair value; and
- the proposed amendments to IAS 37 which seem to imply the principle that liabilities should be measured at fair value - and that this means settlement, or 'exit value'.

The ASB does not believe that proposals for new standards should be constrained by the existing Framework. But it takes the view that fundamental new principles should only be introduced if they clearly represent significant improvements in financial reporting and questions whether the improvements that the proposals would bring about are sufficient to justify their adoption. In any event, the ASB believes these principles should be fully debated with the joint IASB/FASB Conceptual Framework project.

The ASB also has significant reservations about the practical implications that arise from the Business Combinations project and proposals to amend IAS 37.

For these reasons, the ASB does not support the conversion of the Exposure Drafts into IFRS.

New items on the IASB's agenda

At its September meeting, the IASB added two new items to its agenda:

- fair value measurement; and
- emissions trading.

Fair value measurement

The aim of this project is to provide guidance to entities on how they should measure the fair value of assets and liabilities. This project will clarify how fair value should be determined when a standard requires fair value measurement. The IASB has agreed to issue a forthcoming FASB final Statement on fair value measurements as an IASB Exposure Draft with an Invitation to Comment.

Emissions trading

The IASB has agreed to take this project onto its agenda following the withdrawal of IFRIC 3 'Emission Rights' and the risk of diverse accounting practices being adopted for emissions trading scshemes. The output from this project is expected to be amendments to existing standards.

SORPs update

Statements of Recommended Practice (SORPs) supplement accounting standards and other legal and regulatory requirements to reflect factors prevailing or transactions undertaken in a specialised industry or sector. SORPs are issued by the sectoral body recognised for the purpose by the ASB.

On 30 September the CCAB issued an exposure draft of its SORP on Limited Liability Partnerships (LLPs). The main changes address the presentation requirements of FRS 25 (IAS 32) 'Disclosure and Presentation'. The exposure draft is open for comment until 31 December.

The comment periods for exposure drafts for revised SORPs from three other SORP-making bodies have now expired. The SORP-setting bodies are now considering the comments received, following which revised SORPs are expected to be issued:

- The Association of British Insurers (ABI) SORP on Insurance Business
- The Association of Investment Trust Companies (AITC) SORP on Financial Statements of Investment Trust Companies
- The Investment Management Association (IMA) SORP on Financial Statements of Authorised Funds

Copies of the exposure drafts are available from the SORP-setting body; contact details can be found on the ASB web-site at www.frc.org.uk/asb/technical/sorps.cfm.

The latest position on the four SORPS currently used in the public benefit entity sector is as follows:

- The Charity Commission published the 2005 SORP for charities in March 2005. Revisions made include changes to the SOFA format and revised guidance on cost allocation and grant making.
- The National Housing Federation and the Welsh and Scottish Federations of Housing Associations issued the 2005 SORP Update for the social housing sector in May 2005. The updated SORP reflects new standards issued since FRS 19 and accounting guidance on revised contractual arrangements for providing housing support.
- The CIPFA/LASAAC Joint Committee issued the 2005 SORP for use by local authorities at the beginning of July 2005. As well as incorporating new standards, the SORP was updated to reflect changes arising from the pensions SORP and recent legislative changes. The Joint Committee will consult shortly on a draft 2006 SORP.
- Universities UK is currently considering the extent of an update required to its SORP for the further and higher education sector.

Appointments

Alan Donaldson and **Danielle Stewart** have stepped down from the Committee on Accounting for Smaller Entities. **John Coombs**, a partner with Simpkins Edwards, and **Kenneth McDowell**, a partner with Chiene and Tait, have been appointed as replacements.

Sean Nolan has resigned from the Committee on Accounting for Public-benefit Entities. A replacement is being sought.

Further Information
For further information on any of these topics please contact David Loweth at Aldwych House.

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ISSN 1360-1342